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Report on the World Social Situation 2007: The Employment Imperative

Summary

1. The *2007 Report on the World Social Situation* is part of a series of reports on the subject dating from 1952. The main purpose of the series is to provide a foundation for discussions and policy analysis of socio-economic issues at the intergovernmental level. The following paragraphs contain a summary for the use of the General Assembly. The full report will be issued later in the year as a United Nations sales publication.

Introduction

> *We strongly support fair globalization and resolve to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our relevant national and international policies as well as our national development strategies, including poverty reduction strategies, as part of our efforts to achieve the Millennium Development Goals.*
>
> 2005 World Summit Outcome (General Assembly resolution 60/1), para. 47.

2. Since the World Summit for Social Development, held in Copenhagen from 6 to 12 March 1995, the United Nations has underscored the role of productive employment in reducing poverty and promoting social development.

3. The notion of decent work has become part of the lexicon of work and labour analysis since it was introduced by the International Labour Organization (ILO) in 1999. Decent work for the person performing it should be satisfying, that is to say, it should promote personal development and contribute to the well-being of society as

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well as the well-being of his or her family. A society committed to the promotion of decent work would be one in which people are living in conditions of basic economic security and of equality of good opportunity to develop and apply their competencies safely, with a broadening range of economic, social and cultural rights.

4. In the first decade of the twenty-first century, the world is faced with a series of challenges with respect to work and labour. Policies should give high priority to socio-economic security, for only in a context of such security can people make choices and have the option of refusing to put up with degrading or debilitating labour.

Key findings

- In the current phase of globalization, labour markets have been evolving in the direction of greater economic insecurity and greater levels of most forms of inequality, adversely affecting the opportunity of people to live a life of decent work and satisfactory employment.
- Many of the world's youth live in poverty and a total of 130 million young people are illiterate.
- Persons with disabilities are much more likely to be unemployed or underemployed than persons without disabilities. There is a strong correlation between poverty and disability.
- Indigenous peoples are disproportionately overrepresented among the poorest of society. In most countries, unemployment rates among indigenous peoples seem to be significantly higher than the national average.
- Governments and employers around the world, in their desire to remain or become economically competitive, have taken numerous steps to increase labour-market flexibility, thereby engendering greater insecurity among most groups of workers.
- Globally, there has been a spread of informal employment and short-term contracts, giving workers fewer entitlements and little sense of security in their employment.
- The recent deregulation, privatization and marketization of social services have led to reductions in employment and income security as well as loss of voice and representation for workers providing these services.
- Standardized contracts and collective contracts are giving way to more individualized contracts based on bargaining on an individual level between employers and workers, resulting in a further shift in the balance of power in favour of employers.
- Labour security is further undermined by the globalization of financial markets and the emergence of a globalized labour supply.
- Statutory regulation is being replaced by self-regulation as part of the liberalization that has accompanied globalization, engendering greater work insecurity.

- The principle of social insurance, a component of social protection systems, is weaker in economies dominated by informal economic activities. It is unrealistic to envisage such insurance as the cornerstone of social protection in the future.

Recommendations

- Policies and strategies devised to promote full employment and decent work should also address issues of income and socio-political inequalities.
- The design of policies to promote employment and decent work also needs to reflect the demographic and social changes in society.
- Political reforms and legal provisions for achieving greater equality among ethnic groups, cultures, genders and age groups as well as for protecting immigrants' workplace rights and civil rights are also essential.
- With more and more workers in employment situations that are casual, informal and outside of standard collective contracts, either by choice or by necessity, the universality of social protection coverage becomes even more important.
- Finally, decent work for all, rather than economic growth per se, or even simple job creation, should be placed at the centre of economic and social policymaking.

Chapter I: Global employment and work

Global employment and unemployment trends

5. Between 1996 and 2006, the global labour force grew by 16.6 per cent, to 2.9 billion, which represented about two thirds of the 4.6 billion people of working age (aged 15 years or over). Over the same period, the unemployment rate worldwide rose from about 6.0 to 6.3 per cent, with the number of unemployed increasing by 34 million, to 195 million people in 2006. This increase occurred as global economic output grew, at the rate of 3.8 per cent per annum, giving rise to the phenomenon of "jobless growth".

6. It is estimated that in 2006, 1.4 billion of those working did not earn enough to lift themselves and their families above the $2-a-day poverty line, although the share of the $2-a-day working poor in total employment had decreased to 47.4 per cent in 2006, from almost 55 per cent in 1996. Significant regional differences have persisted, with East Asia experiencing the greatest reduction in the number of people living in poverty. In contrast, the number of people surviving on less than $2 a day increased in the same period in sub-Saharan Africa.

7. Global demographic forces have had a significant impact on the employment and unemployment situations. The ageing populations and declining birth rates in developed countries contrast with the younger populations and relatively higher fertility rates in developing countries. In 2005, about 84 per cent of the global labour force was found in developing countries, with Asia and the Pacific accounting for about 60 per cent of world employment.

8. The gap between men and women continued, with 49 per cent of women employed in 2006, compared with 74 per cent of men. Male labour-force participation rates dropped slightly, from 80.5 per cent in 1996 to 79 per cent in 2006. In contrast, female participation rates were 52 per cent in 2006.

9. The unemployment rate in developed economies declined from 7.8 per cent in 1996 to 6.2 per cent in 2006, owing to strong economic growth, slower growth in the labour force and increased labour productivity. In South-East Asia and the Pacific, the unemployment rate rose from 3.7 per cent in 1996 to 6.6 per cent in 2006, reflecting, in part, the lingering impact of the Asian crisis of 1997-1998. In the same period, unemployment in South Asia rose from 4.4 to 5.2 per cent despite growth of gross domestic product (GDP) of 5.8 per cent in 2005. In Latin America and the Caribbean, the unemployment rate remained at about 8 per cent during the period 1996-2006, as economic growth, averaging 3 per cent, accommodated the growing labour force. This also lowered the share of the working poor in total employment.

10. Unemployment in Africa is among the highest in the world, although unevenly distributed across countries, by gender and age groups. The unemployment rate in sub-Saharan Africa increased slightly between 1996 and 2006, having gone from 9.2 to 9.8 per cent, even as GDP grew at 3.9 per cent per annum. In the Middle East and Northern Africa, the unemployment rate declined from 13.0 to 12.2 per cent over the same period.

Sectoral changes

11. In 2006, the employment share of the service sector in total global employment reached 40 per cent and, for the first time, overtook the share of agriculture. The industry sector accounted for 21.3 per cent of total employment, a figure virtually identical to that of 1996.

12. Globally, there has been a decline of agricultural labour. The level of employment in agriculture is small and has been declining in most developed countries. It has been declining considerably in developing countries as well, partly reflecting efforts to modernize farming and to shift to more export-oriented production.

13. The modernization and commercialization of agriculture in developing countries have tended to generate greater inequalities in rural areas, with large-scale farmers and agro-industrial corporations benefiting the most. There have been positive developments in recent years, including policy reforms in many African countries extending opportunities through land reforms. Still, internationally, smallholder farmers have had their livelihoods adversely affected by agricultural subsidies and tariffs in the developed countries.

14. Deindustrialization, the tendency to shed manufacturing jobs regardless of whether manufacturing output expands, has been characteristic of developed countries since the 1980s. It has been occurring in many developing countries as well, where it is characterized by a net transfer of jobs from agriculture to services.

15. The world is rapidly becoming an economic system dominated by the service sector, in which many jobs are low-paying and precarious and are not covered by formal mechanisms of social protection. There is also a high degree of income

inequality in the sector, largely owing to the presence of a minority engaged in very highly paid professional and personal services and finance.

Jobless growth

16. Many countries and the world as a whole seem to be suffering from jobless growth, that is to say, the economy is growing without any jobs having been generated, or the number of jobs created has been diminishing for any given rate of economic growth.

17. Structural changes and increasing use of indirect (subcontracting) and casual, flexible labour, not reflected in employment statistics, may explain jobless growth. Regardless of the possible reasons, the phenomenon is unwelcome in the context of decent work as workers lose wages and/or job security in the process.

Global informalization and casualization

18. There has been an informalization of employment and work in many parts of the world. Although there is a temptation to idealize formal employment, it must be recognized that decent work lies in having some informality, with security safeguards.

19. However, informalization is closely linked to labour casualization. Labour-market restructuring has increasingly led to the spread of precarious labour relations, especially various forms of employment insecurity. Globally, there has been a spread of short-term contracts, giving workers few entitlements and little sense of permanence in their employment.

Unemployment and labour-market insecurity

20. The issue of long-term unemployment is of particular concern and it is with this form of unemployment that impoverishment is most associated, entailing, as it does, a gradual loss of networks of support, a loss of energy and willpower, and debilitation.

21. Concern about the extent and seriousness of long-term unemployment is especially prominent in Europe. In middle-income developing countries, given the lack of unemployment benefits and the need for those affected to do almost anything to survive, many of the unemployed drift into informal activities and underemployment. Whether or not national economies recover from an economic or social shock, the longer-term adverse effects on workers at the margins of the labour market may be permanent. This tendency has major implications for the design and structure of social policy interventions.

Outsourcing or offshoring

22. While globalization is involving a major movement of people, there also exists a migration of jobs. One of the most controversial aspects of globalization is the

perception that corporations in developed countries are transferring jobs to lower-income, labour-surplus countries.

23. Offshoring and outsourcing of jobs are poorly monitored and surveyed. The actual numbers claimed are only a part of the emerging challenge. It is the ex ante anticipation of possible shifts that engenders fear and insecurity among workers, rendering them more amenable to making concessions in the workplace, such as accepting lower pay and the loss of benefits.

Working time

24. Another aspect of globalization and labour-market liberalization is their impact on the level and distribution of working time. Female labour-force participation has risen all over the world, partly owing to the spread of more flexible forms of labour.

25. The growth of part-time labour has been a part of that process, particularly among the youth still pursuing some form of schooling and among older workers who remain in the labour market voluntarily or wish to do so out of economic need. This has been fostered by employment opportunities in the service sector, where part-time and intermittent work or employment is more common and working time is harder to regulate.

Concluding remarks

26. The world of work is being profoundly transformed. Sectoral shifts are themselves making the old images of full-time, single-occupation labour and employment inappropriate as guides to the future. Above all, the sense of insecurity accompanying the different forms of informality, and the lack of employment security, pose major challenges for the twenty-first century.

Chapter II: The impact of global economic and social liberalization

27. Globalization in the current era has been accompanied and reinforced by social and economic reforms in countries all over the world. The key aspects of these reforms that have a bearing on employment and the labour market are the liberalization of markets, privatization, deregulation and commercialization of social services and social protection, labour-market re-regulation and labour contracting.

Liberalization, commercialization and economic volatility

28. The growth of international trade resulting from liberalization does not lead to higher economic growth unless other, complementary policies are introduced as well. On the other hand, it does seem to increase income inequality and wage differentials.

29. Financial market liberalization, including capital market liberalization, has led to financial integration, which has limited the autonomous capacity of national

policymakers. Financial integration has also resulted in greater market volatility and intensified bank competition. Greater market volatility has led to greater fluctuations in national economies and labour markets, causing greater income and employment insecurity, particularly in smaller countries.

30. Liberalization has facilitated foreign direct investment (FDI), which has been part of a trend towards the transnationalization of production, whereby multinational corporations can switch production and thus employment from one location to another quickly and at little cost. As a result, FDI has created greater national economic insecurity.

31. Fiscal prudence has been the watchword in the past decades of economic liberalization. It requires Governments to slash social spending to levels not exceeding fiscal revenues, which have been reduced by tax cuts intending to create incentives. This has impeded social and other public spending that could have boosted growth and employment, especially in developing countries. Health-care spending particularly has suffered.

32. More generally, there has been a steady shift away from taxation of capital towards greater taxation of labour. At the same time, fiscal subsidies to capital have gone up sharply and steadily while those to labour have declined, particularly as consumer subsidies have been whittled away at in the name of removing market distortions.

33. The recent deregulation, privatization and marketization of social services have had a profound effect on labour markets in sectors of employment that had set standards of social security for several generations. An analysis of the main consequences of this transformation shows that various forms of inequality have widened. The process has affected the character of work among those providing the services as well as the welfare and work situation of many groups receiving them.

34. In their determination to remain or become economically competitive, Governments and employers around the world have taken numerous steps to increase external labour-market flexibility. This has imposed the burden of greater labour-related insecurity on most groups of workers.

35. Globally, there has also been a spread of short-term contracts, giving workers few entitlements and little sense of permanence in their employment. Standardized contracts and collective contracts are also giving way to more individualized contracts based on individual bargaining between employers and workers. This shift tilts the balance of power in favour of employers.

Migration

36. The global movement towards greater social and economic deregulation and liberalization in recent decades has also helped to facilitate migration, both within countries and internationally. Most migration is intended to better the life prospects and welfare of those who move.

37. Rural-urban migration tends to accentuate the extent of inequality and differentiation in rural areas. Labour migration from rural areas to export processing zones, much of it involving young women, often results in greater vulnerability and economic insecurity among migrant workers because of the fact that trade unions

have been banned or their activity has been severely curtailed in those zones in the interest of encouraging FDI. The "brain drain" — the migration of educated skilled professionals from developing to developed countries — has become much greater with globalization.

38. As a result of growing migration and the movement of jobs around the world within global supply chains, there are signs that a new global labour market is emerging, although international labour mobility has grown at a much slower rate than international capital mobility. While international migrants still represent only about 3 per cent of the world's population, by 2000 they had accounted for more than 10 per cent of the population in 70 countries.

39. There is a consensus that international labour migration has a beneficial effect on growth and development in both source and destination countries. However, claims for the beneficial effects have to be balanced by an examination of national circumstances. For developing countries, the most worrying form of migration is the proverbial brain drain, although the causes may have positive aspects and the consequences may be personally beneficial.

Concluding remarks

40. Globalization is transforming all labour-market systems. Increasingly, countries are being driven by the perceived imperative of competitiveness. One powerful lesson to have been drawn so far is the following: a precondition for liberalization's having beneficial effects for ordinary citizens is the establishment of institutions, legislation and regulations that can limit its adverse effects.

Chapter III: Social groups in the labour force

Work in a changing family context

41. Work has traditionally been based on a family division of labour. The family has undergone significant transformation in all parts of the world, one largely determined by economic development and demographic transitions.

42. These changes include the continuing feminization of labour, characterized by the fact that many more jobs are being taken by women, by growing job precariousness, by a convergence in the level of female labour-force participation with that of men, and by changes in the concept of wages, including the demise of the family wage.

43. Working patterns are influenced by the changing patterns of marriage, fertility, morbidity and mortality. Fertility has been decreasing in most regions, although different parts of the world are at different stages of the demographic transition. In Africa, high fertility rates have led to an increase in the number of potential workers, which requires an equivalent increase in income-earning opportunities. Africa has also been hit hardest by the HIV/AIDS pandemic. As a result, a few countries are experiencing negative population growth, and some countries have large numbers of children and very large numbers of orphans, alongside a large number of older persons. This has led to pressure on children and teenagers to find income-earning activities, and on many older people to work into old age.

44. By contrast, in some Western European countries and Japan, where the fertility rates have fallen below the population reproduction rate, two demographic developments have emerged, namely, an expanding ageing process and a shrinking population.

45. The sustained drop in fertility in Latin America requires the creation of jobs for a growing female labour supply compatible with child-rearing and educational options for young people. In many countries in Asia, the participation of women in the labour force is constrained by factors such as the lack of flexibility in careers and child-rearing and the lack of childcare facilities and home care for older persons. Policies designed to meet the demands of family life, as well as policies that provide support for the care of children and older persons, are needed.

Women: greater participation, greater risks

46. Since the Fourth World Conference on Women held in 1995, important progress in the promotion of women's economic rights and independence has been made, although deep inequalities remain. Women represent an increasing share of the world's labour force.

47. Although female employment has increased, this has been paralleled in some countries by a deterioration in the terms and conditions of employment. Women tend to be overrepresented in the informal sector and self-employment where jobs are lower-paying, less secure and less likely to be covered by social security schemes. Occupations traditionally engaged in by women pay less than jobs requiring similar skill levels but held predominantly by men. The fact that, in virtually all countries, women are overrepresented in the service sector contributes to persistent gender wage gaps throughout the world.

48. In many countries, women are disproportionately represented in casual jobs, and in consequence they are often excluded from labour statistics and overlooked by labour inspection systems. Contractualization is another related global trend that affects women disproportionately because of their weaker bargaining position and widespread preconceptions about women's commitments to their careers.

49. Since women are considered responsible for caring of children and the elderly, they often face difficulties in balancing work and family responsibilities. However, policies aimed at women (rather than at parents or caregivers) can reinforce the stereotype. Social policies and measures to facilitate the reconciliation of work and family responsibilities for both women and men should be the focus of policymakers if they intend to support women's empowerment through participation in the workplace.

Ending child labour

50. Most children are growing up in a caring family environment, enjoying family bonding, proper health care and nutrition, and enrolment in basic education. Yet, some 190 million children under age 14 are now engaged in some form of work.

51. Almost two thirds of working children live in Asia and the Pacific. However, the proportion of working children is highest in sub-Saharan Africa where more than

25 per cent of children work. Child labour is more prevalent in rural than in urban areas. Older children and adolescents are more likely to work than younger children.

52. The participation rates of boys and girls in economic activities are roughly equal, although boys typically participate more in wage work and in household enterprises, while girls tend to be involved in domestic activities. Girls begin working at an earlier age, particularly in rural areas, and frequently earn less than boys and have less control over their earnings. Girls face a triple burden of outside work, domestic chores and school, adversely affecting their school attendance and performance.

53. Recent ILO estimates point to a rapid reduction in child labour, in particular of its worst forms. The decline has largely been driven by a rapid decrease in child labour in Latin America and the Caribbean. In sub-Saharan Africa, by contrast, the absolute number of working children actually increased, partly owing to high rates of population growth and the economic hardships resulting from the spread of HIV/AIDS.

54. The root causes of child labour are complex. One of the main determinants of children's labour supply is poverty. Social norms, household size and mothers' labour-force participation, imperfect credit markets and economic incentives also affect child labour. Children also achieve recognition in the family, self-esteem and increased bargaining power through their work.

55. The main factors influencing demand for child labour are the belief that children are more docile or better able to perform certain tasks than adults, the relative importance of the informal versus the formal sector, and the prevailing production technology. Low wages paid to children also influence the demand for their labour.

56. In recent years, political consensus on the need to eliminate child labour has increased. The issue also received significant attention in the United Nations intergovernmental processes. However, effective mobilization within relevant ministries, departments and agencies at national and local levels has yet to occur in many countries.

57. Any strategy to eliminate child labour must address a wide range of causes. A crucial component of interventions to eliminate child labour is access to far-reaching social programmes that help break the vicious circle of poverty, including free education and training, safety nets, health services and income-generating measures for family members.

Youth: unemployment, inactivity and education

58. Some 1.1 billion people worldwide are young people. The vast majority of them, some 85 per cent, live in developing countries. Young people constitute about half of the total unemployed global workforce, although only one fifth of the world's population.

59. There have been very notable achievements in the area of education over past decades. However, a total of 130 million young people (roughly 1 in every 10 young persons) are illiterate. Young women are overrepresented in this group. Achievements in basic and higher education have created a better-educated

generation with high expectations when they enter the world of work. Unfortunately, in many cases, these expectations have not been matched by opportunities.

60. With their flexibility and mobility, young people in countries that have been able to profit from globalization have particularly benefited. However, for many young people in Africa, South Asia and Latin America, few real opportunities exist as a result of globalization.

61. In their policy responses, Governments tend to focus on addressing perceived weaknesses of youth in terms of their lack of skills or attitudes. Measures that regard young people as an asset should be taken, including actions to strengthen entrepreneurial and innovative skills, microcredit services for self-employment, and domestic job creation and job placement, complemented by large-scale overseas temporary work opportunities.

Active ageing and work

62. The world population is ageing rapidly, and this trend is expected to continue. The share of older persons in the global population is projected to reach 21 per cent in the year 2050, when the number of older persons in the world will have surpassed the youth population for the first time in history.

63. Over 60 per cent of older persons live in developing countries, where 50 per cent of older males and 19 per cent of older females are economically active, as compared with 21 per cent of older males and 10 per cent of older females in developed regions. The greater labour participation rates of older persons in developing countries are largely due to lack of financial support, making retirement a luxury difficult to attain. In developed countries, the sustainability of the early retirement practice of the 1980s and 1990s has come into question owing to concerns over pension liabilities, mounting old-age dependency ratios, skills gaps and potential labour-force shortages.

64. Active ageing policies are necessary to allow older persons to remain in the labour force according to their capacities and preferences. Continuous training in the workplace and lifelong learning opportunities in the community are necessary. Policy attention should also be given to public transportation and environmental hazards such as insufficient lighting, absence of handrails and irregular walkways.

Opening the world of work to persons with disabilities

65. The global population of persons with disabilities is estimated to be 650 million. There is a strong correlation between poverty and disability, as people who are living in poverty are more likely to become disabled, and persons with disabilities are more likely to be poor. About 470 million persons with disabilities are of working age. They are much more likely to be unemployed than persons without disabilities. Institutional support to facilitate inclusion and empowerment requires the provision of access to education, training and recreation, and support for employment and social participation. Strategies must be developed to reduce discrimination against persons with disabilities.

66. Considering the large numbers of persons with disabilities in the world, and the fact that 90 per cent of school-age children with disabilities in developing

countries do not attend school, it becomes imperative that persons with disabilities be mainstreamed into the international development agenda.

Indigenous peoples: working from tradition to new challenges

67. Although indigenous peoples make up only 5 per cent of the world's population, they constitute about 15 per cent of the world's poorest. For indigenous peoples, the challenge is not only how to achieve full employment and decent work, but also how to maintain their traditional occupations and lifestyles in a rapidly changing environment.

68. The loss of control over traditional resource bases has entailed the loss of traditional governance systems, customary laws and traditional knowledge for managing these resources. In addition to being adversely impacted by the reduced access to land, reciprocal ties are being further undermined by differential access to education, urbanization and the privatization of commonly held resources.

69. Indigenous peoples face discrimination in all aspects of their lives. This often hinders their access to education and employment. Discrimination in the labour market is both a significant cause and a consequence of their poverty.

70. In addition to discrimination, inadequate education systems are the second key factor in respect of the difficulties faced by indigenous peoples in employment. With little access to secondary and higher education, indigenous peoples can find employment only in low-skilled jobs where working conditions are often poor.

71. Yet, there is reason for hope. Over the past 10 years, issues affecting indigenous peoples have received increasing attention. Governments have implemented policies designed to improve labour-market prospects for indigenous peoples.

Migrants and social disadvantage

72. International migration has become a central dimension of the globalization era. Legal migrants, with valuable skills, are generally able to secure attractive salaries and good working conditions in fast-growing industries. Illegal migrants, on the other hand, tend to take on low-skill jobs under poor working conditions, even though they may be well educated.

73. While migrants often benefit from the expanded work opportunities and higher remuneration in their destination countries, many face poor conditions of work. Work insecurity is particularly severe.

74. One of the most significant changes in migration patterns is increasing migration among women. Women migrants work mostly in low-status, low-wage production and service jobs and often in gender-segregated and unregulated sectors of the economy, mainly in domestic work. They are exposed to higher degrees of exploitation, violence and trafficking.

Concluding remarks

75. In all social groups, there has been a movement towards greater participation in the labour force around the world. Many groups are increasingly ready and able to take part in work, however defined. The younger cohorts in society are staying longer in education and fewer are engaged in exploitative forms of child labour. Yet, young people's expectations are too often frustrated, paradoxically at a time when they are better prepared than ever before. Older workers expect to stay longer in the labour force; sometimes this will be out of necessity, and often by choice.

76. On the other hand, the prospects for greater participation in the labour force have been much slower in materializing for persons with disabilities and indigenous peoples. While there are certainly hopeful signs that their rights and needs are being addressed, many challenges to greater participation of these groups remain.

77. It is in the area of gender where most progress for greater participation can be reported. However, progress towards the full and equal participation of women in the labour force has often coexisted with setbacks resulting from discrimination. A similarly mixed record can be observed for migrants.

Chapter IV: Inequalities, employment-generation and decent work

Trends and types of economic inequalities

78. Income inequality within many countries has been rising since the 1980s. The share of capital in total income has tended to rise while wages and worker benefits have tended to decline in both developed and developing countries.

79. Low incomes in labour markets reflect low productivity to some extent. Yet, this regressive shift in the functional distribution of income is also partly a reflection of the forces unleashed by globalization, with a greatly increased labour supply on the one hand and greater mobility of capital on the other.

80. The growth of overall income inequality is also attributable to the increase in wage differentials. Trade openness and FDI, two among several relevant factors, have contributed to this trend. The offshoring of jobs, and the threat to transfer them, may affect wage differentials as well as labour's share of gross national product (GNP). Furthermore, casualization and contractualization have been means of lowering social income, and further reinforcing wage differentials among workers of different statuses and bargaining abilities.

Impact of inequalities on employment and decent work

81. Inequality in income and wealth can reduce the possibilities of overall growth, with negative consequences for employment-creation and decent work, as inequality can compromise social cohesion, lead to political violence and endanger government stability. In the context of securing decent work for all, social and economic policies aimed at reducing inequality have an important role to play, especially under circumstances where inequality threatens social stability in middle-income countries.

Sociopolitical inequality, economic growth and employment-generation

82. Human and social capital is essential for full employment and decent work. Income and social inequalities create deficits in human and social capital.

83. The goal of full employment and decent work cannot be achieved unless equality of opportunity and access to basic social services are ensured. Gender inequality undermines growth and employment-creation. The links are also well established between the health status of a population and economic growth and prospects for achieving decent work for all. Hunger and its manifestations lower human capital and productivity. Racial and ethnic discrimination infringes on the human rights of ethnic minorities, and it also results in inefficient use of human capital and undermines growth and employment-creation.

Income inequality is detrimental to human development and social cohesion/trust

84. Social cohesion and political stability are important for economic stability, investment and growth and, ultimately, for the health of the labour market and employment opportunities and conditions. Income inequality contributes to a political and social environment that is not conducive to decent work and full employment.

Policy directions

85. Policies and strategies to promote and generate full employment and decent work should take into account the issue of inequality, as there are linkages between inequalities and the achievement of full employment and decent work.

86. Macroeconomic policies designed to address growing income inequality and rising unemployment should weigh the advantages of progressive taxation and government social spending which often serve to supplement income sources of the poor and the working poor. In addition, the macroeconomic effects of reducing inequalities should be assessed as means of opening employment opportunities for lower-income groups. Wealth redistribution strategies, such as land reform and estate/inheritance taxation, should be more widely implemented and enforced to promote access to productive assets.

87. The design of policies to promote employment and decent work also needs to reflect demographic and social changes in society, such as the growth in the number of youth and older people, the growth of the number of households headed by single women, and the displacement of indigenous peoples. Political reforms and legal provisions for recognizing greater equality as regards race, gender, and age are also essential to raising awareness of businesses and their commitment to these objectives.

Concluding remarks

88. Global economic inequalities have increased during the past two decades and income inequality within many countries has been rising since the 1980s. High levels of economic inequalities can retard economic growth by creating political demands for redistribution. Income inequality also hurts economic outcomes and, in turn, employment-generation through its impact on social inequalities such as those based on gender, health and education.

89. There are policies and strategies that Governments can pursue to promote and generate full employment and decent work. Redistributive policies should be more widely implemented. Policies on employment and decent work should factor in political and legal reforms to ensure that such initiatives do not exacerbate inequalities in society and that they provide employment opportunities for all and protect the rights of workers.

Chapter V: Social protection, labour and work

90. Social protection plays an important role in the decent work for all agenda by ensuring income security for workers. Across the world, social protection systems are under reconstruction in the era of globalization and social and economic reform.

Health care: costs, access and "employability"

91. Health-care systems are experiencing strain in most countries, owing to demographic trends including ageing, rising costs of health care and the onslaught of communicable diseases such as HIV/AIDS, malaria and tuberculosis. The strain has also been linked to a shift in the emphasis of political rhetoric from collective social solidarity to individual responsibility.

92. Worldwide, public provision based on universal entitlement and free or highly subsidized access has been on the retreat. The crucial point of relevance to the effort to ensure decent work and employment is that a rising proportion of workers are not covered by protective measures in case of ill health, and more face rising costs.

Disability benefits

93. In part because of ageing, the number of people receiving disability benefits in developed countries has risen very substantially in recent years. This has caused policymakers to review State policy and, in some countries, has resulted in reforms that have tightened eligibility in order to encourage or induce many persons with disabilities to enter the labour market and take jobs. The introduction of activity requirements has put an increased burden on persons with impairments to prove eligibility, which affects the propensity to claim benefits. Workers with disabilities tend to be heavily disadvantaged in the labour market. A rights-based approach, as embedded in the Convention on the Rights of Persons with Disabilities (see General Assembly resolution 61/106 of 13 December 2006), represents a good move forward.

Pension reforms: are pensions dying?

94. Pension systems around the world have been in a state of turmoil with the advent of globalization. At the heart of the problem is global ageing: the rising old-age dependency ratio is making it difficult to develop or to sustain classic State-based and enterprise-based defined-benefit pensions. The future of pension systems is uncertain, but there should be a move towards increased flexibility, with more variability in the age of statutory retirement so as to allow people to choose when to retire, and to retire with higher pensions if they do so later.

Unemployment insurance benefits

95. Protection against the risk of unemployment in the form of unemployment insurance was always regarded as a central pillar of welfare States, shielding workers from the worst effects of unemployment and also acting as a macroeconomic stabilizer. Unfortunately, labour-market liberalization has been associated with the erosion of unemployment benefit systems as the number of unemployed in the world is rising.

96. Globally, the reality is that a growing proportion of the unemployed either have no access to unemployment benefits of any kind or have to demonstrate that they are "deserving" of the unemployment assistance, which is increasingly given to them on a discretionary basis, contingent on their fulfilment of specified behavioural obligations. In such circumstances, entitlement to an unemployment benefit ceases to be a social right.

From social insurance to social assistance

97. The principle of social insurance has always been the cornerstone of social security systems. However, it is automatically weak in economies dominated by informal economic activities and is being weakened further by the growth of more flexible labour relations.

98. Social assistance is also facing challenges. One of the challenges is a political one rooted in public frustration over the perceived ineffectiveness of such programmes in helping people get off welfare. However, attempts to target the needy through means-testing and to introduce incentives to encourage those receiving assistance to improve their situation have created their own problems.

The spread of individualized savings accounts

99. In various areas of social protection, Governments are encouraging the spread of individualized savings accounts that are either mandatory or subsidized by means of tax incentives, notably in the areas of pensions and health-care expenses, but also in areas such as unemployment insurance.

100. Although individualized savings accounts in all forms of social protection do not benefit the most insecure and poorest groups, they are nevertheless almost certain to figure increasingly in twenty-first century systems of social protection. Governments and their policy advisers should therefore try to ensure that those

accounts provide adequate economic security for those who cannot otherwise benefit from social protection schemes.

Concluding remarks

101. Social protection should be an integral part of society and an integral part of decent work and employment. In sickness and in health, in employment and in unemployment, all people need social protection and basic economic security.

102. While there are debates on the relationship between social spending and growth, a consensus seems to be emerging that the State should provide a universal floor of social protection upon which social insurance, private insurance and other schemes can be built. However, the increasing exertion of pressure on the poor, the economically insecure and the otherwise disadvantaged to behave in ways that the State determines to be socially desirable, is cause for concern. Such schemes tend to create poverty and unemployment traps.

Chapter VI: Demand-side employment schemes

103. In both developed and developing countries, Governments have promoted employment directly through various special measures designed to create demand for labour. However, they have given less attention or fewer resources to measures designed to promote decent work.

Employment subsidies

104. Employment subsidies, whereby employers are offered financial support for the extra jobs they create, account for a large share of expenditure on active labour-market programmes in many countries members of the Organization for Economic Cooperation and Development (OECD). Most employment subsidies are aimed at specific target groups, such as the long-term unemployed, less-skilled, low-wage workers, youth, older persons and persons with disabilities. By targeting the more vulnerable groups, they counteract social exclusion. Such subsidies also contribute to the reduction of long-term unemployment. However, they do tend to discriminate against older, well-established firms in favour of new, growing firms, thereby limiting their impact.

Social funds

105. Social funds have been promoted as effective means of generating employment and economic activity in developing countries. Yet, despite favourable World Bank assessments, social funds are no longer seen as powerful mechanisms for fostering community development and generating sustainable livelihoods. Increasingly, these funds are shifting from public infrastructure to "human capital" development schemes.

Micro-insurance and microcredit schemes

106. Microfinance and microcredit have become hugely popular as development tools, since access to financial services by the poor is very important to their economic and social empowerment. It has been proved that microfinance helps create jobs, empower women and reduce vulnerability. It not only helps the poor to increase their incomes, but also contributes to the equitable distribution of the benefits of economic growth.

107. The main criticisms of microcredit schemes concern their sustainability, limited scope and difficulties with management. Some also question their ability to reach the very poor.

Food for work and cash for work

108. Food for work and cash for work are direct measures designed to boost employment and respond to emergency needs. The primary claim is that such schemes effectively target the poor since they are self-selecting and relatively easy to legitimize among the middle class. However, such schemes may not be the most appropriate policy for promoting livelihoods or decent work, and they often lack gender-sensitivity.

Public works

109. Public works programmes have developed into a major policy instrument through which to create employment in situations of high or chronic unemployment and underemployment, as well as to minimize consumption shortfalls in times of crises such as famine or drought. Public works projects create public goods and exercise a political function by helping to relieve social discontent through highly visible projects ensuring a certain minimal income for the poor.

110. While public works may successfully address transitory crises and threats to livelihoods, political considerations do often influence choice and location. To improve their effectiveness, the wage rate should be set at higher levels so as to ensure social protection without causing serious labour-market distortions. Programmes should generate productive assets benefiting the poor. Local governments should be empowered in respect of planning and managing these projects.

Concluding remarks

111. Special job-creation measures appeal to politicians because by introducing them, they portray themselves as being actively engaged in addressing unemployment and labour-market failure. Different schemes are suitable in different circumstances and involve different levels of administrative and monitoring costs. A common determination, however, is that there should be proper targeting under various schemes so as to reach the poor and women. Important lessons have been learned from projects in many countries.

112. Demand-side measures to create employment, as implemented so far, have not been sufficient to fulfil the decent work agenda. A more comprehensive approach which could include some existing demand-side measures, rather than one narrowly focusing on employment-creation, is needed to promote decent work for all.

Chapter VII: Policy priorities for employment and decent work

113. If decent work is to become more than a slogan, it must encompass much more than the call for a greater number of jobs of any kind. Generating employment, albeit desirable in itself, must be consistently undertaken with respect for decent working conditions. A key challenge concerns the need to enhance basic socio-economic security for all.

The need for voice

114. Without voice, workers have few options other than opting out of their work situation or reluctantly accepting it for fear of the alternatives. In times of high unemployment, workers have to put up with poor conditions or low incomes or risk the welfare of their families. Having voice alters that position.

115. Labour laws were fashioned in accordance with the situation of workers in a fixed worksite who were in a direct long-term employment relationship involving legally recognized employee status. Aside from securing minimum standards for people doing all forms of work, perhaps the biggest challenge for workers in the twenty-first century is recognizing the need for and developing new forms of voice in response to the complex realities of more open, flexible labour markets and the exertions of pressure to perform various types of work. In this context, independent workers' associations are essential for decent work, even if some need to change their ways.

116. Part of the necessary reorganization in respect of having voice encompasses institutional governance, entailing the need to give work greater priority in social policymaking and policy evaluation. Viable institutions include national councils for work and negotiated social compacts between workers' bodies, employers and Governments.

Informalization and the response

117. Labour-market flexibility and other processes of economic liberalization mean that many more workers are in relatively informal statuses. Social and labour-market policies have to adapt to these realities.

118. The most important needs for workers in informal status are basic income security and basic voice security. All businesses should be required to formally register with the authorities in a simple and low-cost manner. The assets of those producing informally should be registered as entrepreneurial property, thus providing proper legal status to those assets. There should be a campaign to ensure that there are written contracts for all workers, because only those with written agreements can be effectively protected by labour or common law. Simple written

contracts, setting out the basic conditions of pay and working arrangements, are a necessary, if not sufficient condition for turning informal labour into decent labour.

Labour rights revisited

119. The right to work means the right of people everywhere to pursue their livelihoods in freely chosen activities. People in all types of society cannot be expected to pursue a life of work unless their lives are grounded in basic social and economic security. With globalization, inequalities and insecurities have undermined the principles of universalism and social solidarity.

120. Social protection systems need to adapt to more flexible labour-market conditions in order to provide economic security to all workers. With more and more workers in employment situations that are casual and informal and that are not covered by standard collective contracts, whether by choice or by necessity, universality of coverage becomes even more important.

Policy priorities for moving forward

121. The challenges for decent work in the twenty-first century are great. While traditional models and mechanisms for achieving voice representation, economic security and full employment are proving inadequate in the era of globalization and increased labour-market flexibility, new approaches are being explored. The international community and national Governments and their civil society partners need to work collaboratively to move forward the agenda of promoting productive and decent work for all.

122. First, it is worth reiterating that decent work for all, rather than economic growth per se, or even simply creating jobs, should be placed at the centre of economic and social policymaking.

123. At the international level, cooperation and coordination among countries are needed to counteract the pressures of a "race to the bottom" in the global competition for investment and trade advantages. Sharing of experiences and international coordination of social and economic policies will also contribute to the exploration of means to meet the collective challenges of creating productive employment and decent work for all in the twenty-first century.

124. At the national level, social and economic policies, and even institutions, need to adjust to the new realities and demands of a globalizing world. It is critical that reform of social protection systems in developed countries and the expansion of such systems in developing countries aim at ensuring economic security for all in the more flexible labour market.

125. In many countries, policy measures to reduce inequality should be pursued in conjunction with those aimed at stimulating economic growth in order to ensure a more equitable distribution of the benefits of growth.

126. Government-supported demand-side employment schemes also need to be rethought and put into the context of decent work, instead of being viewed simply as job creation measures.

127. Policy measures should also be implemented to further remove barriers to participation in the labour force and to facilitate access to decent work for all social groups. All policy measures should take into consideration the ongoing demographic and social changes that are shaping the world of employment and work.

128. Civil society and the private sector can also play important roles in fostering decent work for all, through the promotion and monitoring of schemes such as corporate social responsibility.

Concluding remarks

129. It is in this, the twenty-first century, that economic, social and cultural rights should come into their own. The world has the resources, wealth and knowledge to make this a reality.

130. Globalization entails more uncertainty and insecurity for workers and for communities that rely on work and labour to procure their livelihoods — in other words, for most people. There are benefits from economic liberalization and globalization, but at the same time there are powerful negative effects and changes. Policymakers have yet to come to terms with this reality, and have yet to devise strategies to check the growing inequalities of recent years.

131. Work should be an important means of gaining self-respect as well as dignity, and of reaffirming human identity. Productive and decent work and poverty eradication are essential to ensuring the exercise of the fundamental human rights and freedoms enshrined in the Universal Declaration of Human Rights (General Assembly resolution 217 A (III)) and to meeting the Millennium Development Goals. Decent work for all is not a policy option, but an imperative for the twenty-first century.